

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

DETROIT BRANCH NAACP, MICHIGAN
STATE CONFERENCE NAACP, DONNELL
R. WHITE, THOMAS STALLWORTH III,
RASHIDA TLAIB, MAUREEN TAYLOR,

No. 2:13-cv-12098

Plaintiffs,

HON. GEORGE CARAM STEEH

v

RICK SNYDER, in his official capacity as
Governor of the State of Michigan, ANDREW
DILLON, in his official capacity as Treasurer
of the State of Michigan, and RUTH
JOHNSON, in her official capacity as
Michigan Secretary of State,

Defendants.

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EXHIBIT A



Department of Treasury



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FISCAL INDICATOR SCORES

How to Use These Indicators

There are many indicators that can be used to measure the financial condition of local governments. These indicators are measurements at a point in time. They are not necessarily predictors of a local government's future financial condition. Some of these measurements should be given more or less consideration in evaluating the financial condition of a local government. In evaluating the financial condition of a local government, other indicators and information may require consideration to make a complete assessment of a local government's current and future financial condition. Examples include dependence on a major taxpayer, pending litigation, ability to fund long term commitments such as retiree health care, deferred capital outlay or maintenance, millage capacity, percent developed, etc.

Fiscal Mandate

Under current law, the Michigan Department of Treasury is required to wait until units of local government show signs of severe fiscal stress before being able to directly address the local government issues. Rather than take this reactive approach, the Michigan Department of Treasury has developed a process to review certain fiscal indicators that encourage sound fiscal health for all of Michigan's 1,856 units of local government. The Department of Treasury's process also provides for guidance, upon request, for those units of local government needing it.

Purpose of the Scores

The fiscal indicator scores are intended to provide State officials, local officials, and the general public with objective, measurable, and straightforward information concerning the degree of, or absence of, fiscal health in units of local government. This information provides the public with information that may not be publicly displayed from their local officials. The most cost-effective way to accomplish this goal is to publish the fiscal indicator scores on the Michigan Department of Treasury web site. It is similar to the school district report cards available for all Michigan school districts.

Fiscal Scoring Origin

The Michigan Department of Treasury commissioned the Institute for Public Policy and Social Research at Michigan State University to evaluate local government fiscal indicators included in existing state law. As the Institute completed its evaluation of existing fiscal indicators it was asked to propose more effective fiscal indicators. [To view study click here.](#)

Fiscal Scoring Process

Key factors from nine categories are analyzed and assigned points. They include, but are not limited to:

1. Population growth
2. Real taxable valuation growth
3. Large real taxable value decrease
4. General fund expenditures as a percent of taxable valuation
5. General fund operating deficits
6. Prior general fund operating deficits
7. Size of general fund balance
8. Fund deficits in current or previous years
9. General long-term debt as a percent of taxable value.

Once the data has been collected, each local unit's score is calculated and then posted to the Department of Treasury's web site under the appropriate year.

Where the Numbers Come From

Population Growth: Information provided from the [Population Estimates - U.S. Census Bureau](#) (Note: With each new issue of July 1 estimates by the Census Bureau, the population estimates program revises estimates for years back to the last census. Previously released estimates are superseded. The scores will not be updated to reflect the revised estimates).

Real Taxable Value: Assessing Officers Report of the unit of local government filed with the Department of Treasury (includes real and personal property). As this is a measure of a two year period, the most recent year is deflated using the fiscal year [Consumer Price Index published by the Senate Fiscal Agency](#).

General Fund Revenue and Expenditures: Annual or biennial audit report of the unit of local government filed with the Department of Treasury (the general fund operating revenues and expenditures do not include other financing sources/uses such as operating transfers in or out.)

Fund Deficit: Annual or biennial audit report of the unit of local government filed with the Department of Treasury (includes a deficit in a major fund in current year and prior year. Major fund is defined as those funds with revenues, expenditures, assets or liabilities that make up at least ten percent of the total for the fund category or type (governmental or business-type) and at least five percent of the aggregate amount of all governmental and enterprise funds. Internal service funds are excluded from the major fund reporting requirements. The general fund is always a major fund. A local unit official may make any fund major.)

General Long Term Debt: Annual or biennial audit report of the unit of local government filed with the Department of Treasury (includes long-term debt for governmental activities.)

Fiscal Health Score Significance

| Points from Scale | Category | State Action |
|-------------------|------------------|---|
| 0-4 | Fiscally Neutral | No State action needed. |
| 5-7 | Fiscal Watch | Unit of local government is notified of its relatively high score and is placed on a watch list for the current and following year. |
| 8-10 | Fiscal Stress | Unit of local government is notified of its high score, is placed on a watch list for the current year and following year, and receives consideration for review. |

Fiscally Neutral - Local Units that score in this category are deemed to be managing its financial circumstances appropriately, but local units should not interpret a score in this category as an indicator that they are in anyway insulated from financial concerns. It is a snap shot of a local unit's financial condition. It is not an indicator of ability to pay. Local decisions that impact a local unit's finances or deviations from its current financial strategies may result in changes to future fiscal health scores.

Watch List - Local Units that score in this category are considered to be in a financial circumstance that is cause for concern, but that can still be addressed by the local unit. Governing bodies of local units on the watch list should exercise added care when making financial decisions, and formulate a financial strategy to return to the local unit to a fiscally neutral score. Local units may request assistance from the Department of Treasury in developing financial strategies that will assist in returning its score to fiscally neutral.

Fiscal Stress - Local Units that score in this category are considered to be in poor financial condition. Governing bodies of local units that score in this category should take immediate corrective actions to improve the financial health of the local unit. Assistance and potentially intervention by the Department of Treasury is expected for local units scoring in this category.

Summary

In our capacity as fiscal watchdog for Michigan Units of Local Government, the Department of Treasury has provided an objectively measurable process that calculates fiscal indicator scores for Michigan's 1,856 units of local government. By creating this process we are able to identify the fiscal health of Michigan's local units. By posting the fiscal indicator scores on our website we are discharging our duty of public disclosure to the citizens of Michigan relative to the fiscal health of their unit.

Fiscal Scores by Local Unit

NOTE: For ease of use and consistency, two changes have been made in the computation of scores: 1) use of the Consumer Price Index for deflating taxable value and; 2) inclusion of personal and real property for determining taxable value. Except for 2005, all previous years have been recalculated to reflect these changes.

Financial data for each local government is obtained from the financial audit report filed by the local government. Local governments who file biennial audits are scored accordingly for Indicators # 6 & 8.

- [2009 Cumulative Scores/Scoring Data](#)
- [2008 Cumulative Scores/Scoring Data](#)
- [2007 Cumulative Scores/Scoring Data](#)
- [2006 Cumulative Scores/Scoring Data](#)

Detailed Scores by Local Unit

- [2009](#)
- [2008](#)
- [2007](#)
- [2006](#)

Scoring Breakdown

*forthcoming

